



JON M. HUNTSMAN, JR.  
Governor

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Lieutenant Governor

**State of Utah**  
**DEPARTMENT OF NATURAL RESOURCES**  
**Division of Oil, Gas & Mining**

MICHAEL R. STYLER  
Executive Director

JOHN R. BAZA  
Division Director

0001

January 11, 2008

David Penney  
Penney's Gemstones, LLC  
2400 East 30 South  
P.O. Box 312  
Beaver, Utah 84713-0312

Subject: Deficient Reclamation Surety and Reclamation Contract, Penney's Gemstones LLC,  
Lost Gems 1, S/001/056, Beaver County, Utah

Dear Mr. Penney:

On 09/27/2007, the Director of the Division of Oil, Gas and Mining signed the reclamation contract for the Lost Gems Project Notice of Intention to Conduct Mining, file number S/001/056. A copy of the executed reclamation contract/surety is enclosed for your records. This action has made it possible for your existing reclamation surety to be in place with the Division, however you should note that there are deficiencies either in your Notice of Intent or in your surety/bond amount that need to be rectified.

Right now the amount of surety/bond that is currently posted does not correspond with the information in your NOI which states you will disturb 5 acres. Based on the information in the NOI the Division has determined that you must post a surety in the amount of \$20,700. You currently have \$3,000 dollars allocated to this project, so please remit the additional \$17,700.

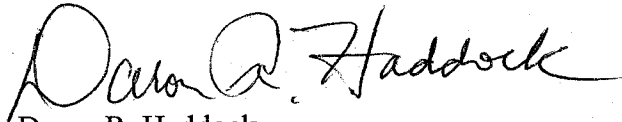
If your Notice of Intent is not specific as to the area planned for disturbance, you may wish to amend the notice to more accurately reflect your plans. At such time as we receive and review an amended NOI we will determine an appropriate reclamation cost based on the new information and notify you of any changes needed to your surety/bond. If you choose not to amend your NOI we will expect the above stated amount to be filed with the Division within 30 days.

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Mr. Penney  
S/001/056  
January 11, 2008

If you have questions or concerns regarding this letter, please contact me at (801) 538-5325 or Tom Munson at 538-5321. Thank you for your help in completing this very important regulatory requirement.

Sincerely,

A handwritten signature in black ink that reads "Daron R. Haddock". The signature is fluid and cursive, with the first name "Daron" being more prominent than the last name "Haddock".

Daron R. Haddock  
Permit Supervisor  
Minerals Regulatory Program

DRH:tm:pb  
Enclosure: Copy of reclamation contract/surety  
cc: Bond coordinator  
ep7@xmission.com  
opie\_abeyta@blm.gov  
P:\GROUPS\MINERALS\WP\M001-Beaver\S0010056-LostGems1\final\apprvl-a-deficient01102008.doc

Mine Permit Number 5/001/0056 Mine Name LOST GEMS #1  
Operator DAVID PENNEY Date Sent (Received) 9/25/07  
TO OGM FROM DAVID PENNEY

☐ CONFIDENTIAL ☐ BOND CLOSURE ☐ LARGE MAPS ☐ EXPANDABLE

☒ MULTIPUL DOCUMENT TRACKING SHEET ☐ NEW NOI ☐ AMENDMENT  
☐ OTHER \_\_\_\_\_

Description

Year-Record Number

☐ NOI ☒ Incoming ☐ Outgoing ☐ Internal ☐ Superceded  
5MD-MRRC 2007-0002

☐ NOI ☐ Incoming ☐ Outgoing ☐ Internal ☐ Superceded

☐ NOI ☐ Incoming ☐ Outgoing ☐ Internal ☐ Superceded

☐ NOI ☐ Incoming ☐ Outgoing ☐ Internal ☐ Superceded

☐ TEXT/ 8 1/2 X 11 MAP PAGES ☐ 11 X 17 MAPS ☐ LARGE MAP

COMMENTS: \_\_\_\_\_

CC: \_\_\_\_\_